



Singapore Exchange Posts Net Profit of \$74.2 million in First Quarter FY2011

- Net Profit: \$74.2 million (\$94.1 million) - Revenue: \$159.0 million (\$173.3 million) - Earnings per Share: 7.0 cents (8.9 cents) - Return on Equity: 8.7% (11.4%) - Base Dividend per Share: 4.0 cents (3.75 cents) All figures above are quarterly and comparatives are year-on-year

18 October 2010 - Singapore Exchange (SGX) today announced a net profit of \$74.2 million for the first quarter of its financial year 2011. While down 21% from 1Q FY2010, our underlying profitability reflects a strong operating performance quarter-on-quarter in line with 4Q FY2010.

Revenue of \$159.0 million was down 8% from 1Q FY2010 primarily due to lower trading value in the securities market. This resulted in earnings per share of 7.0 cents. Directors have declared an interim dividend of 4.0 cents per share for 1Q FY2011.

Mr Magnus Bocker, CEO of Singapore Exchange said, "Our new organisation structure is taking shape and enabling SGX to better focus on its main priorities: increasing turnover velocity; attracting more listings; growing our membership and distribution capability; introducing more products and services; and reaping the economies of scale and efficiency that come from investment in technology. All this will strengthen SGX as the Asian Gateway."

Please refer to Financial Statements for 1Q FY2011 for full details. The report is also available on our website at www.sgx.com. (SGX SP, SGXL.SI)

SINGAPORE EXCHANGE RESULTS

FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2010 (1Q FY2011)

- Net Profit: \$74.2 million (\$94.1 million)
- Revenue: \$159.0 million (\$173.3 million)
- Earnings per Share: 7.0 cents (8.9 cents)
- Return on Equity: 8.7% (11.4%)
- Base Dividend per Share: 4.0 cents (3.75 cents)

All figures above are quarterly and comparatives are year-on-year unless otherwise stated

CEO's Statement

Our 1Q FY2011 improved over the course of the quarter as securities daily average trading value (SDAV) increased from \$1.4 billion in July to \$1.8 billion in September 2010. As the quarter progressed, investor risk appetite spurred the return of more trading activity in Asian equity markets. This resulted in a higher SDAV quarter-on-quarter (\$1.6 billion in 1Q FY2011 versus \$1.5 billion in 4Q FY2010) and Singapore's benchmark index, Straits Times Index (STI), rose 9% over the same period to 3,098.

In this quarter, we relaunched our mini-Nikkei and USD Nikkei as well as the China FTSE Xinhua A50 futures contracts. Clearing of Over-The-Counter (OTC) traded container swaps was added to the suite of products cleared by AsiaClear[®]. We also announced the impending launch of a broad range of products and services, including: GlobalQuote, a new board to support our ADR programme; corporate bonds for retail investors; an enhanced securities borrowing and lending service; clearing services for OTC-traded rubber contracts and financial derivatives starting with interest rate swaps; and collaboration with London Metal Exchange to launch metal futures contracts. At the same time, we continue to grow our membership base with 430 new members joining our securities, derivatives and commodities markets.

SGX started FY2011 with a new organisation structure to reinforce accountability and sharpen our focus on growing the key business areas in response to customer needs.

Financial Performance and Interim Dividend

SGX's net profit for 1Q FY2011 was \$74.2 million (1Q FY2010: \$94.1 million) and the earnings before interest, tax, depreciation and amortization was \$99.6 million (\$118.9 million).

Quarter-on-quarter, operating profit remained flat at \$90.9 million (4Q FY2010: \$91.4 million) with a \$3.3 million decrease in revenue to \$159.0 million (4Q FY2010: \$162.3 million) offset by a reduction in expenses (\$68.1 million in 1Q FY2011 versus \$70.9 million in 4Q FY2010). This quarter's net profit of \$74.2 million was 4% lower than 4Q FY2010's \$77.3 million (excluding impairment adjustments).

Year-on-year revenue was 8% lower at \$159.0 million (\$173.3 million) primarily due to lower trading value in the securities market. The volatility of STI was 9% compared to 20% a year ago. On the other hand, there was a pick up in derivatives market activities driven by our Nikkei 225 and Nifty contracts.

Year-on-year expenses were up \$8.8 million to \$68.1 million (\$59.3 million). Technology expenditure pushed up system maintenance and depreciation expenses by \$7.5 million, mainly due to new system launches (namely, derivatives clearing system and data engine) and the accelerated depreciation of \$1.6 million stemming from the new Reach initiative. The Reach initiative also contributed to the rise in technology expenses.

The overall staff expense was down 1% to \$28.2 million (\$28.5 million). The 27% reduction in variable bonus provision and a higher staff cost capitalisation were offset by an increase in staff costs due to salary adjustments in a tighter labour market and cessation of the government Jobs Credit Scheme in June 2010. Headcount as at 30 September 2010 is 592 (595). Processing and royalties costs increased on higher trading volumes of futures and options contracts.

SGX's financial position shows a total equity of \$853.9 million (\$823.1 million) at 30 September 2010. Cash generated from operations in 1Q FY2011 was \$88.7 million (\$104.3 million). The capital expenditure amounted to \$4.6 million (\$4.2 million). We expect the capital expenditure for this financial year to remain within the range of \$60 to \$65 million. Our unrestricted cash reserve, including proposed FY2010 final dividend of \$167.9 million and 1Q FY2011 interim dividend of \$42.6 million, was \$617.1 million (\$553.6 million).

SGX's return on equity was 8.7% (11.4%) and the earnings per share was 7.0 cents (8.9 cents). In line with our dividend policy, our Board is pleased to declare an interim dividend of 4.0 cents per share for 1Q FY2011.

Performance Review for the Quarter Ended 30 September 2010

Securities (45% of SGX's revenue)

Securities revenue was \$71.2 million (\$86.0 million). Market activities remained generally subdued for a large part of this quarter until investor sentiment turned more positive and we saw the return of higher turnover in September 2010. Notwithstanding this, the volatility of STI dropped 11 percentage points to 9% (20%) and impacted trading activities in our market. The daily average trading value was \$1.6 billion (\$1.7 billion). Turnover velocity was 60% (80%) and the proportion of trades below \$1.5 million in contract value was 58% (66%).

Derivatives (21% of SGX's revenue)

Derivatives revenue was flat at \$34.1 million (\$33.7 million). The increase in futures and options (F&O) revenue was largely offset by the decline in structured warrants revenue. F&O revenue was 5% higher at \$26.2 million (\$25.0 million). A 13% increase in daily average volume (DAV) to 241,897 contracts (213,922) was partially offset by the reduced yields due to depreciation of the US dollar and a change in customer mix. High frequency trading, attributable to principal trading firms, increased four percentage points, accounting for 30% (26%) of the F&O volume.

The DAV of Nikkei 225 and Nifty contracts was 121,761 (107,068) and 38,683 (27,030) respectively. This strong showing was a result of higher volatility of the underlying indices and improved market share. The DAV of our other key equity index contracts, MSCI Taiwan and MSCI Singapore, was steady at 59,790 (60,167) and 14,618 (15,646) respectively, notwithstanding a significantly lower volatility of these indices. Of our newer contracts, the FTSE Xinhua A50 has had a successful relaunch with daily contract volume of 1,892 since August 2010 while the Nikkei Options have seen rapid growth in open interest (55,596 contracts at 30 September 2010).

For our commodities futures, the average daily volume was 3,447 (1,004), primarily due to the introduction of a Gold Deferred Settlement contract earlier in 2010. From a relatively low base, the total quarterly volume cleared through our OTC clearing facility, AsiaClear, in 1Q FY2011 rose to 48,210 (19,936) contracts. This is equivalent to a notional value of \$5.6 billion (\$1.3 billion), with growth registered across all asset classes: OTC traded forward freight agreements, iron ore swaps and energy swaps.

Market Data (5% of SGX's revenue)

Market data revenue remained flat at \$7.5 million (\$7.5 million). The average number of securities terminals increased 3% to 37,728 (36,480) while the derivatives terminals fell 9% to 23,875 (26,231).

Member Services and Connectivity (6% of SGX's revenue)

Member Services and Connectivity revenue rose 19% to \$8.9 million (\$7.5 million). Terminal and connection revenue was 23% higher at \$6.8 million (\$5.5 million) on increased sign-ups for securities and derivatives connectivity while proximity hosting services grew as a result of an expanded membership base.

Membership revenue increased 8% to \$2.1 million (\$1.9 million). During the quarter we added Cantor Fitzgerald as a Trading Member and Deutsche Bank as a Clearing Member in our securities market. In addition, we saw an increase in members across other membership categories: Securities Trading Representatives up 363 to 4,147; Derivatives Trading Members (Proprietary) up 21 to 248; and Derivatives Trading Members (Individual) up 31 to 234. SICOM's membership also grew with the addition of seven to 71 Trade/Associate Members and three to 21 Clearing Members.

Depository Services (13% of SGX's revenue)

Depository Services revenue dropped 4% to \$20.8 million (\$21.6 million).

Securities settlement revenue went up 9% to \$13.8 million (\$12.6 million) on increased settlement instructions as a result of a higher number of institutional trades. Contract processing revenue was 28% lower at \$5.5 million (\$7.6 million) as the number of contracts processed declined in line with lower market activity.

Issuer Services (10% of SGX's revenue)

Issuer Services revenue was flat at \$16.0 million (\$16.1 million). Listings revenue rose a modest 2% to \$9.1 million (\$8.9 million). In 1Q FY2011, there was a total of seven (11) new listings raising equity capital of \$81.9 million (\$257.9 million): two (six) on SGX Mainboard and five (five) on SGX Catalist. The total funds raised through new bonds were \$47.9 billion (\$16.7 billion), picking up some of the slack from reduced equity listing activity. At 30 September 2010, there were 779 (777) listed companies and 1,258 (1,127) bond issues listed on SGX.

Market Development

To position SGX as the Asian Gateway - delivering Asian growth with global reach - we will continue to focus on: increasing the turnover velocity in our securities market; enhancing our attractiveness as a listing venue; growing our membership and distribution capability; introducing more products and asset classes; and reaping economies of scale and efficiency from our investments in technology. At the same time, we remain committed to upholding our regulatory imperative to ensure a fair and orderly market, and promoting investor education and protection. We will continue to use public consultation to solicit feedback on issues pertinent to the investment community, such as the proposed sustainability reporting for listed companies and the proposed short-selling report to promote transparency.

Our Chi-East joint venture has obtained approval from the Monetary Authority of Singapore and will commence operations by end 2010 as a pan-Asian crossing network for securities listed in Australia, Hong Kong, Japan and Singapore.

We will also work towards common access for all commodities and derivatives contracts by integrating our derivatives and commodities platforms into a single SGX platform. This initiative will advance our position as a premier trading hub in Asia.

Outlook

If the current market conditions prevail, SGX should benefit from a potential increase in capital market activities, both in higher trading activity and more companies seeking to raise capital on our equity and debt listing platforms.